

WASHINGTON -- U.S. Rep. Spencer Bachus (R-AL), chairman of a House Banking subcommittee, will introduce legislation that prohibits federal banking regulators from asking financial institutions to collect information about the race, gender or religion of loan applicants.

Last year, the Federal Reserve Board, under pressure from the Department of Justice, proposed lifting the 25-year-old ban on collecting racial and other private data from people seeking loans. The Fed's proposal would allow creditors to record data on all loan applicants' race, color, sex, religion and national origin. Many bankers believe it will lead to federal regulators mandating the collection of such information.

"This is a startling invasion of privacy," Bachus said. "Why should loan applicants have to detail their ethnicity or their religious views to lending officers at a bank? It's none of their business. This is yet another case of government regulators trying to use banks to obtain personal information about their customers. We stopped their infamous Know Your Customer scheme. Now, my bill will stop this newest intrusion of privacy."

A year ago, public outcry and Congressional action led federal banking regulators to withdraw the plan called "Know Your Customer" that would have required banks to monitor and record the financial activities of their customers and report any transactions considered "suspicious" to law enforcement. The regulators received more than 250,000 letters from citizens and members of Congress, including Bachus, expressing opposition to "Know Your Customer." The House Banking Committee voted to block implementation of the plan last March, shortly before it was withdrawn by the regulators.

"Federal regulators must have short memories. They've already forgotten the public outrage over Know Your Customer," said Bachus, who is chairman of the House Monetary Policy Subcommittee.

Bachus also sees other problems with the Fed's plan. "Just what are the race and gender of a small business? How does one determine whether a business seeking a loan is male or female, Jewish or Christian or Hindu? By screening employees? The owner? Board members? Shareholders?"

"This proposal will do nothing but further divide us and it must be stopped. The credit process should be nondiscriminatory. It is already illegal to discriminate against a loan applicant on the basis of race, sex, marital status, religion, national origin or age. If the regulators end the prohibition on collecting this information, it will move us away from the ideal of a colorblind society by reinforcing racial identification every time someone applies for a loan," said Bachus. "We should be working to strengthen our shared foundation as Americans, not emphasizing our differences as this plan does."